

DIVISION OF ADMINISTRATIVE SERVICES
OFFICE OF BUSINESS SERVICES
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CDCR CONTRACTING GUIDELINES DVBE INCENTIVE POLICY

DVBE Incentive:

Non-IT Services: Award Based on Low Price

- The incentive shall be equal to a bidder's DVBE participation level (rounded to the nearest two decimal places).
- Unless otherwise stated, bidders with less than 3 percent DVBE participation will be deemed non-responsive and disqualified.
- The Small Business Preference (5 percent up to \$50,000) may be combined with the DVBE incentive but will not exceed a combined total of \$500,000.
- Unless otherwise stated, the incentive is subject to a minimum of 3 percent and a maximum of 5 percent and will not exceed \$500,000. Bids with DVBE participation of less than 1 percent will not qualify for an incentive. Bids with DVBE participation of more than 5 percent will be calculated with a 5 percent incentive.
- The DVBE incentive is computed from the lowest responsive and responsible bid price.

Information Technology (IT) Goods/Services and Non-IT Goods:

- The incentive shall be equal to a bidder's DVBE participation level; the percentage of participation, however, is not rounded. The amount is truncated to no more than the second decimal place.
- The DVBE incentive cannot exceed 5 percent or \$100,000, whichever is less.
- When combining the incentive with a preference amount (i.e. Small Business Preference), the cumulative adjustment cannot exceed \$100,000.

Award Based on High Score

When using the IT Invitation for Bid/Request for Proposal model, the incentive shall be based on possible incentive points rather than a percentage of the total contract dollars. The number of incentive points

that correlate to the bidder's DVBE participation percentage, are added to the bidder's score which is then used in the contract award evaluation process.

The recommended DVBE incentive scale is as follows:

DVBE Incentive Scale	
Confirmed DVBE Participation of:	DVBE Incentive:
5% or Over	60
4% to 4.99% inclusive	55
3% to 3.99% inclusive	50
2% to 2.99% inclusive	45
1% to 1.99% inclusive	40

A. CALCULATING THE ADJUSTED BID PRICE FOR THE DVBE INCENTIVE AND SMALL BUSINESS/NON-CERTIFIED SMALL BUSINESS PREFERENCE TOGETHER IF LOW BIDDER IS NOT CLAIMING A PREFERENCE

1. If the Low Bidder is not claiming the Small Business Preference, calculate the dollar value of the Small Business Preference or Non-Certified Small Business Preference as you normally would. Take 5% of the Low Bidders bid up to a maximum of \$50,000. This is the dollar value of the Preference.
2. Complete Steps 1 and 2 of the DVBE Incentive calculation above to determine the dollar value of the Bidder's DVBE Incentive.
3. **Subtract** the dollar value of the Preference and the dollar value of the DVBE Incentive from the Bidder's actual bid price.

$$\begin{aligned} & \text{Bidder's actual bid price} \\ & - \text{Dollar value of Bidder's preference} \\ & - \text{Dollar value of Bidder's DVBE incentive} = \\ & \text{Bidder's adjusted bid price with Preference and Incentive} \end{aligned}$$

4. Perform this calculation for all bids qualifying for the Small Business Preference/Non-Certified Small Business Preference and the DVBE Incentive.

B. WHEN THE LOW BIDDER CLAIMS ONE OF THE SMALL BUSINESS PREFERENCES

If the Low Bidder is claiming the Small Business Preference or the Non-Certified Small Business Preference, the 5% or \$50,000 max is not calculated for any bidder. However, the DVBE Incentive would be calculated. A Low Bidder claiming the Small Business Preference can only be displaced by another bidder claiming the Small Business Preference, if the adjusted bid price with Preference and DVBE Incentive is lower. A Low Bidder claiming the Non-Certified Small Business Preference can be displaced by a bidder claiming the Small Business Preference or the Non-Certified Small Business Preference, if the adjusted bid price with Preference and DVBE Incentive is lower.

C. AWARD CRITERION

Under the DVBE Incentive program a bidder claiming the Non-Certified Small Business Preference is considered a non-small business. When two or more adjusted bid prices are equal, award will be made in the following order:

- Certified Small Business Preference Bidder with highest percentage of DVBE Participation.
- Certified Small Business Preference with no DVBE Incentive.
- Non-Certified Small Business Preference Bidder with highest percentage of DVBE Participation.
- Non-Certified Small Business Preference Bidder with no DVBE Incentive.
- Bidder with highest percentage of DVBE Participation and no Preference.
- Bidder with no Preference or DVBE Incentive. If adjusted bid prices are equal and preference status and DVBE participation are equal, the award decision will be made by the State with a coin toss.

D. EXAMPLES

Example (1)

#1	Bidder A	\$950,000
#2	Bidder B – with 5% DVBE participation Less the Incentive (5% of \$950,000) <i>Adjusted Bid Price of Bidder B</i>	\$975,000 - \$47,500 \$927,500

Bidder B's adjusted bid price of \$927,500 is less than the Low Bidder's price \$950,000. Award will be made to Bidder B for a \$975,000 contract. Bidder A is displaced by a bid with the 5% DVBE incentive.

Example (2)

#1	Bidder A - (with 3% DVBE participation) Less the Incentive (3% of \$1,250,000) <i>Adjusted Bid Price of #1 Low Bid</i>	\$1,250,000 - 37,500 \$1,215,500
#2	Bidder B - (with 5% DVBE participation) Less the Incentive (5% of \$1,250,000) <i>Adjusted Bid Price of #2 Bid</i>	\$1,300,000 - 62,500 \$1,237,500

Adjusted Bid Price of \$1,237,500 is higher than #1 Low Bid Adjusted Bid Price of \$1,215,500. Award will be made to #1 Low Bid for a \$1,250,000 contract. Bidder A holds the Low Bid position with a 3% DVBE Incentive.

Example (3)

#1	Bidder A -(with Small Business Preference)	\$1,250,000
#2	Bidder B -(with 5% DVBE participation) Less the Incentive (5% of 1,250,000) <i>Adjusted bid for comparison</i>	\$1,300,000 - 62,500 \$1,237,500

Bidder B's adjusted bid price of \$1,237,500 is lower than the Low Bid of \$1,250,000; however, a Small Business can only be displaced by another Small

Business. Award will be made to Bidder A for a \$1,250,000 contract.

Example (4)

#1	Bidder A (with Small Business Preference)	\$1,250,000
#2	Bidder B (with Small Business Preference and 5% DVBE participation) Less the Incentive (5% of 1,250,000) <i>Adjusted bid for comparison</i>	\$1,300,000 - 62,500 \$1,237,500

Bidder B's adjusted bid price of \$1,237,500 is lower than the Low Bid price of \$1,250,000. Award will be made to Bidder B for a \$1,300,000 contract. Bidder A is displaced by another Small Business with a 5% DVBE incentive.

Example (5)

#1	Bidder A	\$1,200,000
#2	Bidder B - (with Small Business Preference and 1% DVBE participation) Less the preference (5% or \$50,000 max) Less the incentive (1% of \$1,200,000) <i>Adjusted bid for comparison</i>	\$1,250,000 -50,000 - 12,000 \$1,188,000
#3	Bidder C - (with Non-Small Business Preference and 5% DVBE participation) Less the preference (5% or \$50,000 max) Less the incentive (5% of \$1,200,000) <i>Adjusted bid for comparison</i>	\$1,275,000 -50,000 -60,000 \$1,165,000

Applying the Small Business preference only, Bidder B and Bidder A would have the same bid price of \$1,200,000 but Bidder B would receive the award because of the Small Business Preference. Bidder B would thus be in the #1 position. When adding in the incentive, calculations are based on the original low bid price before the Small Business Preference is calculated. Thus, Bidder C has the lowest adjusted bid price at \$1,165,000. Even though Bidder C claims a 5% incentive it cannot displace Bidder B in the #1 position because Bidder B is a Small Business. The award would be made to Bidder B for a \$1,250,000 contract. The award order would be as follow: #1- Bidder B; #2- Bidder C; #3- Bidder A.

Example (6)

#1	Bidder A – (with 2% DVBE participation) Less the incentive (2% of \$1,225,000) <i>Adjusted bid for comparison</i>	\$1,225,000 - 24,500 \$1,200,500
#2	Bidder B - (with 7% DVBE participation) Less the incentive (5% of \$1,225,000) <i>Adjusted bid for comparison</i>	\$1,250,000 - 61,250 \$1,188,750
#3	Bidder C - (with Small Business Preference) Less the preference (5% or \$50,000 max) <i>Adjusted bid for comparison</i>	\$1,280,000 -50,000 \$1,230,000

When the Small Business Preference is calculated, Bidder C does not have an adjusted bid lower than the Low Bidder. Adding in the incentive, Bidder B's adjusted bid price of \$1,188,750 is lower than Bidder A. The award will be made to Bidder B for a \$1,250,000 contract. The Low Bidder is displaced by a bid with a 5% incentive. The award order would be as follows: #1- Bidder B; #2 -Bidder A; #3 - Bidder C.

Example (7)

#1	Bidder A	\$100,000
#2	Bidder B - (with Small Business Preference and 2% DVBE participation) Less the preference (5% or 50,000 max) Less the incentive (2% of \$100,000) <i>Adjusted bid for comparison</i>	\$106,000 5,000 - 2,000 \$99,000
#3	Bidder C - (with Small Business Preference and 3% DVBE participation) Less the preference (5% or 50,000 max) Less the incentive (3% of \$100,000) <i>Adjusted bid for comparison</i>	\$107,000 5,000 - 3,000 \$99,000

Applying the Small Business Preference alone, neither Bidder B nor Bidder C would be able to take the Low Bid position. Adding in the DVBE Incentive, the adjusted bid price of Bidder B and Bidder C are equal at \$99,000. Based on the award criterion, the bid would be given to the Small Business with the highest

percentage of DVBE participation. The award will be made to Bidder C for \$107,000. Bidder C displaces the low bidder with a 3% incentive and Small Business preference.

Example (8)

#1	Bidder A	\$125,000,000
#2	Bidder B - (with 5% DVBE participation) Less the incentive (5% of \$125,000,000 or a \$500,000 max) <i>Adjusted bid for comparison</i>	\$136,000,000 - \$500,000 \$135,500,000

When applying the DVBE Incentive to Bidder B's bid, the maximum dollar value allowable would be \$500,000. The adjusted bid price of Bidder B is not less than Bidder A. Award would be made to Bidder A for a \$125,000,000 contract.